Applied Investment Management (AIM) Program

AIM Class of 2014 Equity Fund Reports
Spring 2013

Date**:* April 26th | ***Location: AIM Research Room (488)
Presentation Times: 2:30-3:15 p.m. and 3:30-4:30 p.m.

Join us in person, or considering joining us live at:
Connect to the LIVE meeting via Blackboard web-based conferencing tool

Student Presenter	Company Name	Ticker	Price	Page No.
Nicholas Kerger	Amarin Corporation PLC	AMRN	$6.85	2
Ziqian (Stephanie) Wu	Acquity Group Limited	AQ	$6.70	5
Danny Muench	La-Z-Boy Inc	LZB	$17.20	8
	Intermission (15 minute) for Student Networking			
Su Li	Banco Santander (Brazil) SA	BSBR	$7.21	11
Dayton Hoell	Select Comfort Corporation	SCSS	$18.75	14
Chi (Zac) Zhuang	Golar LNG Partner LP	GMLP	$30.82	17
Sean Brackin	Proassurance Corporation	PRA	$47.89	20

These student presentations are an important element of the applied learning experience in the AIM program. The students conduct fundamental equity research and present their recommendations in written and oral format – with the goal of adding their stock to the AIM Equity Fund. Your comments and advice add considerably to their educational experience and is greatly appreciated. Each student will spend about 5-7 minutes presenting their formal recommendation, which is then followed by about 8-10 minutes of Q & A.

For more information about AIM please contact:

David S. Krause, PhD
Director, Applied Investment Management Program
Marquette University
College of Business Administration, Department of Finance
436 Straz Hall, PO Box 1881
Milwaukee, WI 53201-1881
mailto: AIM@marquette.edu

Website: MarquetteBuz/AIM AIM Blog: AIM Program Blog
Twitter: Marquette AIM Facebook: Marquette AIM

Amarin Corporation PLC (AMRN)
April 26, 2013

Nicholas Kerger — International Healthcare

Amarin Corporation PLC (NASDAQ: AMRN) develops, manufactures, and distributes biopharmaceutical therapeutics. The company markets its products used in the treatment of cardiovascular disease to healthcare providers, clinics, researchers, and facilities throughout the world. Its product development program areas include lipid science and therapeutic benefits of polyunsaturated fatty acids. AMRN's lead product comprises Vascepa, a prescription-only omega-3 fatty acid comprising icosapent ethyl as an adjunct to diet to reduce triglyceride levels in adult patients with severe hypertriglyceridemia. It also engages in developing Vascepa for the treatment of patients with high triglyceride levels who are also on statin therapy for elevated low-density lipoprotein cholesterol levels. The company was formerly known as Ethical Holdings plc. Amarin Corporation PLC was founded in 1989 and is headquartered in Dublin, Ireland. The company employs approximately 386 people worldwide.

Price (4/2/13) ($):	6.85	Beta:	1.25	FY: Dec 31	2012E	2013E	2014E
Price Target ($):	13.19	WACC	14.33%	Revenue ($, M)	$0.00	$60.00	$270.00
52WK L-H ($):	6.55-15.96	M-Term Rev. Gr Rate Est:	40.00%	% Growth	-	-	350.00%
Market Cap ($, M):	1,021	M-Term EPS Gr Rate Est:	100.00%	Gross Margin	-	75.00%	75.00%
Float (M):	N/A	Debt/Equity:	N/A	Operating Margin	-	-268.97%	-2.97%
Short Interest:	17.98%	ROA:	-75.90%	EPS (Cal)	-$1.19	-$1.16	-$0.42
Avg. Daily Vol (K):	4,086	ROE:	N/A	FCF/Share	-$0.84	-$0.95	-$0.05
Dividend:	N/A			EV/Sales	-	17.30	3.86
Yield:	N/A			P/S (Cal)	-	17.02	3.78

Recommendation

On July 26, 2012, Amarin announced FDA approval of Vascepa, the first FDA approved prescription Omega-3 fatty acid fish oil pill that contains only eicosapentaenoic acid (EPA). Prescription fish oil pills are used to help lower triglycerides in patients with severe hypertriglyceridemia, which is caused by obesity, poorly controlled diabetes, and a few other poor health conditions. Vascepa is the only drug of its kind to lower triglyceride levels, while not raising low-dense lipoprotein (LDL) or bad cholesterol. One in 50, or approximatly 4 million U.S adult Americans have very high triglyceride levels (TG above 500 mg/dL), representing an estimated $4 billion underpenetrated market. A second form of Vascepa, the ANCHOR indication, just recently passed phase III clinical trials. If approved, Vascepa could be perscribed to patients with high triglyceride levels (TG between 200 mg/dL and 499 mg/dL). Amarin expects approval by 2014, which will increase the market for Vascepa 10x. The expected increase in Vascepa's market and Vascepa's one-of-a-kind features give it vast potential to capture the market. With the blockbuster potential of Amarin's Vascepa drug, it is recommended that Amarin Corporation be added to the AIM International Equity portfolio with a price target of $$$, an upside of %%%. The Company does not pay a dividend.

Investment Thesis

- **Superior Product.** Amarin's newly developed drug Vascepa is a superior product in the cardiovascular market than its competitor drugs. Not only does Vascepa reduce high levels of triglycerides, Vascepa is the first non-statin TG-lowering therapy to reduce TG levels without significantly increasing LDL levels in patients. Increased LDL-C, bad cholesterol, is a side effect of Lovaza unseen in Amarin due to the removal of DHE from Vascepa. Vascepa also significantly improved many other important lipid parameters including apo B, non-HDL-C, and VLDL-C, while eliminating the fishy taste, smell, or burping that accompanies Omega 3s in Lovaza and other fish oil drugs.

- **Trends Toward Approval of ANCHOR sNDA by 2014.** Amarin launched supplemental New Drug Application (sNDA) in late February to gain approval of its Vascepa ANCHOR indication after releasing postive phase III clinical test results. If approved, Vascepa could be prescribed to patients with high triglyceride levels (between 200 and 499 mg/dL), who are also on statin therapy for elevated low-density lipoprotein cholesterol, or LDL-C, levels. If approved, the market for Vascepa would increase 10x the current market size of 4 million as 36 million adult Americans are estimated to have high triglyceride levels. The company estimates the market potential of the ANCHOR indication to be $40 billion.
- **Continues to Build an Array of Patents Protecting its Franchise.** As of today, Amarin has 19 patents issued or allowed and more than 30 additional patent applications in the U.S to protect Vascepa from pharmaceutical and other drug companies who wish to enter the market with a similar product and have announced Notices of Allowance from the United States Patent and Trademark Office for seven additional patent applications that have terms that expire in 2030 and are related to the use of Vascepa and potentially competitive products in either the MARINE or anticipated ANCHOR indication. The vast amount of patents Amarin has been issued will help hedge against the possibility of Vascepa being denied New Chemical Entity (NCE) by the FDA.

Valuation

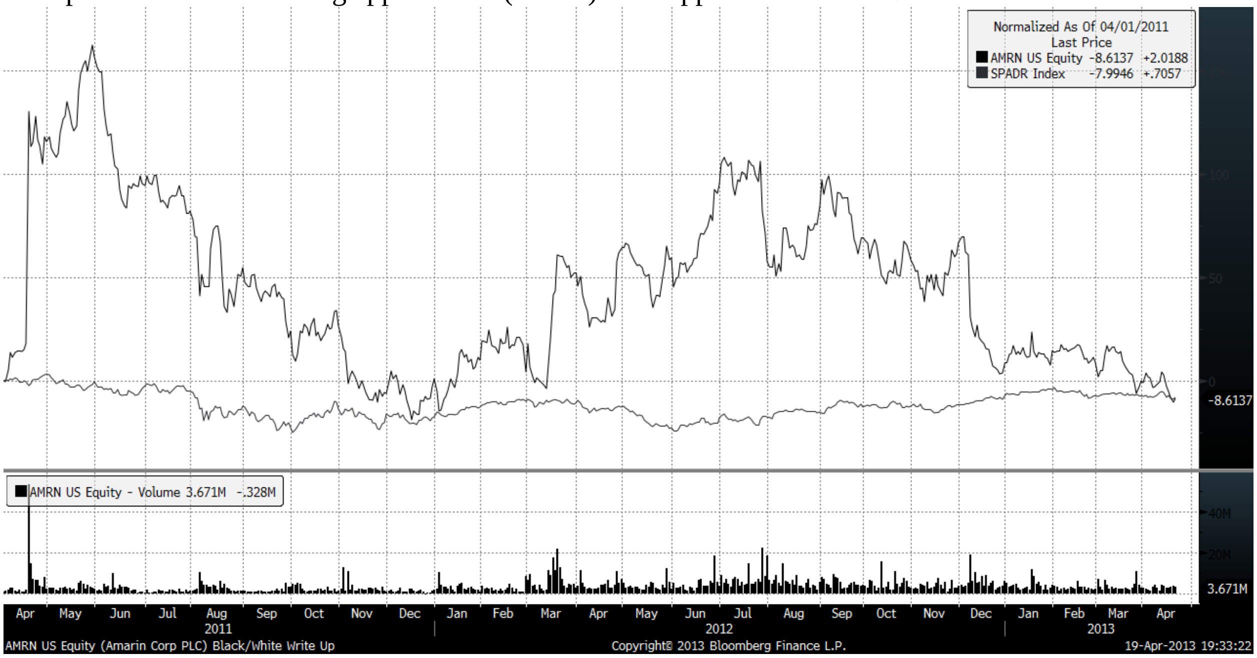
Using four different best/worst case scenario five-year DCF models with a computed WACC of 14.33% and a terminal growth rate of 3%, share prices of $2.36, $9.23, $14.30, and $24.95 were computed. Sensitivity analysis on the WACC and 2013 sales between the 4 DCFs yielded values ranging from $1.11 and $29.66. Weighing each DCF model differently $2.36 (25%), $9.23 (5%), $14.30 (50%), and $24.95 (20%), an intrinsic value of 13.19 was derived, representing a 93% upside. The firm does not pay a dividend.

Risks

- **All-In on Vascepa.** Amarin’s 2013 revenues are completely reliant upon the success of its single product Vascepa. Should the company’s commerical strategy prove unsucessful for any reason, Amarin’s business will be materially affected. Without any other revenue generating drugs, adverse business conditions for Vascepa would cripple the company’s resources. Even if the company is attempts to develop alternative products, development would take several years due to the long business cycle.
- **Difficulty Marketing Vascepa.** Amarin launched Vascepa using its own newly established sales and marketing team and distribution channels. Competition between other pharmaceutical and life sciences companies could hurt Amarin’s marketing efforts. Amarin has less tangible and intangible resources to recruit, hire, train, and retain sales and marketing personnel. If Amarin is unsuccessfully in any of the aforementioned tasks regarding their sales and marketing team, Vascepa may fail to achieve the degree of market acceptance by physicians, patients, healthcare payers, and others in the medical community necessary for commercial success.
- **Vascepa Does Not Receive Tier-2 Status.** Vascepa current main drug pricing classification is in Tier-3 of Medicare or payer’s drug pricing system. Tier-3 is the third highest costing tier for payers and ultimately patients. Management has begun working with insurance providers to shift Vascepa into Tier 2, and believes it is happen much faster than anticipated; however, if the company cannot shift to Tier-2, patients may choose not to be prescribed Vascepa due to the higher costs.

Management

In January 2012, Joseph S. Zakrzewski joined the company as the CEO. He has more than 20 years of industry experience, inculding significant contributions to Reliant Pharmaceuticals as COO during their development, launching, and marketing of Lovaza, leading to its 2007 acquisition by GlaxoSmithKline. Steven Ketchum joined Amarin in February 2012 as President of R&D after gaining 20 years of experience in late-stage product developoment and clinical regulatroy strategy, having led the filings of multiple successful new drug applications (NDAs) and supplemental NDAs.



Ownership

% of Shares Held by All Insider and 5% Owners:	4%
% of Shares Held by Institutional & Mutual Fund Owners:	54%

Source: Yahoo Finance

Top 5 Shareholders

Holder	Shares	% Out
Abingworth, LLP	8,087,486	5.38
Jennison Associates LLC	7,532,968	5.01
Franklin Resources, Inc	5,017,794	3.34
FMR LLC	4,943,762	3.29
Price (T.Rowe) Associates Inc	4,137,400	2.75

Source: Yahoo Finance

Acquity Group Limited (AQ)
April 26, 2013

Stefanie Wu International Information Technology

Acquity Group (NYSE:AQ) is a unique structured technology and marketing services firm that provides strategic marketing with innovative service, as well as technology implementation to Global 1000 companies. The services provided by Acquity can mainly break into three categories: digital strategy, multi-channel digital marketing, and brand e-commerce. The company is headquartered in Hong Kong, with over 430 project employees. The company went public in the United States, with an offering price of $ 6 per ADS; their U.S. office is located in Chicago.

Price($):(4/26/2013)	$ 6.7	**Beta V.SPX**	1.01		FY 2012	FY2013	FY2014
Price Target	$9.85	**WACC(%)**	11.32%	**Revenue (mil)**	$141.01	$159.34	$191.21
52 week H-L($)	5.54-11.01	**M-term Rev Gr Rate Est**	8.00%	**% Growth**	32.21%	13.00%	20.00%
Market Cap(mil)	157.6M	**M-term EPS Gr Rate Est**	6.18%	**Gross Margin(%)**	43.87%	42.13%	43.10%
Float (Mil)	42.5K	**Debt/Equity**	0	**Operating Margin (%)**	14.72%	12.98%	13.95%
Short Interest(%)	42,480	**ROA(%)**	3.42%	**EPS**	0.15	0.48	0.62
Avg Daily Volume	58229	**ROE(%)**	4.17%	**FCF/Shares**	0.12	0.34	0.51
Dividend ($)	0			**P/E**	21.66	19.30	24.27
Yield(%)	0						

Recommendation

With recent revenue growing at a CAGR in excess of 30% and an EBITDA margin of 16.0% for the past three years, Acquity is well positioned to continue its growth in the expanding online marketing industry. As an online ad spending continues to gain market share from traditional media, it is believed that Acquity's integrated service of cutting-edge technology and creative solutions for its clients delineates the company from its competitors. Founded in 2001, the company has 11 years' operating experience in providing digital marketing solutions for its customers. As a leading provider of branded e-commerce, AQ has established relationships with over 600 global brands that are active in the digital marking sector across a wide range of industries. Looking forward, AQ is likely to seek new clients and expand its global footprint in new geographic locations, such as Canada and China. Besides active expansion, the company also plans to improve its operating margin by reducing SG&A expenses. Currently, the company is trading at $6.70 per share with a P/E multiple of 18.5x, which is considerably lower than its closest competitor, Sapient Corp and its peer group. Due to the outsized revenue growth, strong profitability and its strong, growing customer base, AQ is recommended to be added to the AIM International Equity Fund with a target price of $9.85, presenting an upside of nearly 50%. The firm does not pay a dividend presently.

Investment Thesis

- **Strong Growth in the Online Marketing Industry:** With the global internet population continuing its impressive growth and with consumers relying more heavily on the internet for products and services, the online retail industry is projected to grow at a 10% CAGR from 2013 to 2015, reaching $ 279 billion (Forrester Research, 2012). Acquity is the only "pure-play" in this area, which is an advantage given the difficulty creating a cohesive technical and creative culture. According to the management discussion, AQ plans to drive growth over the long run by focus on its existing pipeline services.
- **Deep Relationships with Recognized Brands:** Over the years, AQ has established a strong relationship with over 600 globally recognized brands, including over 12 of the top 50 e-

commerce companies. The top clients for AQ include firms such as: Adobe, Discover, Kohl's and Proctor & Gamble, which contributed over 40% of AQ's revenue in 2012. Despite the negative impact from a weaker than expected global economy in 2012, AQ was able to add 12 more clients in the 4Q. The company services its clients on a project basis and has a historical retention rate of more than 70%. Moreover, the high requirement of technology integration with AQ makes it harder for existing customers to switch to other service providers.

- **Massive Global opportunity:** The development of a global footprint is essential for Acquity in its ability to win larger deals from multinational clients and to expand beyond the United States. The company has begun to grow globally and has recently opened two offices in Canada and three in China.

Valuation

To find the intrinsic value of AQ, a ten-year DCF was conducted with a terminal rate of 5%. The revenue growth rate was gradually ramped down due to the high level of competition in the online marking industry. Using a WACC of 11.32%, the DCF method generated an intrinsic value of $10.60 per share. Multiples valuation using both the P/E and EV/EBITDA approaches were also used with a peer multiple of 26.6x and 8.1x, respectively. Weighting these three values equally, a price target of $9.85 was established, representing a near 50% upside for the stock.

Risk

- **Reliance on the Retail Sector:** As over 40% of AQ's revenue come from the retail industry; any macro-economic slowdown or reduce of consumer confidence may negatively impact on existing and potential clients' marketing budget.
- **Reliance on key customers:** Top ten clients of AQ collectively represented 37% of the firm's revenue in 2012, with 13% from W.W. Grainger Inc. Any delay in decision making, project delay or project cancelation from these clients will negatively affect AQ's revenue.
- **Joint ventures:** The company reported a $7 M loss resulting from the revaluation of its two joint ventures with Digital Li Ning and Cool Sports in China. Management has already entered into an agreement to terminate the joint venture with Digital Li Ning in February, and they are progressing toward simplifying its corporate structure as it looks to exit the JV with Cool Sports in the near future.

Management

Chris Dalton, the CEO and co-founded Acquity Group had his B.S. in Business Administration from Marquette University. After beginning his career with Arthur Andersen, Chris had 15 years of experience at digital global services industry. Under his strategic direction and innovative guidance, Acquity Group has emerged a world leader in multi-channel commerce and digital marketing.

Source: Yahoo Finance

Ownership	
%Shares held by Insider %	N.A
% Shares Held by Institutional & Mutual Fund Owners:	N.A

Source: Bloomberg

TOP 5 Shareholders

Holder	Shares	% Out
Surfmax Investment Partne	6,285,958	26.73%
Khazanah National BHD	5,315,518	22.60%
SHK Asian Opportunities HO	1,194,250	5.08%
Weinewuth Paul	1,038,196	4.41%
Federated investors Inc	897,023	3.815

Source: Bloomberg

La-Z-Boy Inc (LZB)
April 26, 2013

Danny Muench — Domestic Consumer Discretionary

La-Z-Boy Inc. (NYSE: LZB) is involved in the manufacturing, marketing, importing, distributing, and retailing of upholstery products, accessories, and casegoods furniture products under the La-Z-Boy brand name primarily in the United States and Canada. It operates in three segments: Upholstery (79% of 2012 revenue), Retail (17%), and Casegoods (11%). It owns over 85 La-Z-Boy furniture gallery stores and has a network of over 312 La-Z-Boy furniture gallery stores, as well as 553 comfort studios. The company is headquartered in Monroe, Michigan.

Price ($) (4/17/2013):	$ 17.20	Beta:	1.55	FY May	2012A	2013E	2014E
Price Target ($):	$ 20.50	WACC:	11.50%	Revenue ($Mil)	$ 1,231.68	$ 1,342.53	$ 1,476.78
52WK H-L ($):	10.95-19.43	Mid-Term Rev Gr Rate Est	6%	% Growth	3.75%	9.00%	10.00%
Market Cap (mil):	$ 865.16	Mid-Term EPS Gr. Rate	16%	Gross Margin (%):	30.84%	32.00%	33.00%
Float (mil):	50.3	Debt/Equity:	0.0%	Operating Margin (%):	4.03%	5.50%	6.50%
Short Interest (%):	4.97%	2012 ROE:	10.58%	EPS	$ 1.75	$ 0.98	$ 1.27
Avg. Vol (3 month):	384,023	2012 ROA:	6.94%	EPS % Growth	266%	-44%	30%
Dividend				FCF/Share	1.70	1.08	1.38
Yield (%)	0.24%	EV/EBITDA	10.65	P/E (Cal)	9.84	17.62	13.55

Recommendation

With the housing market improving, LZB is in an excellent opportunity for future growth. There are upward trends in consumer spending as the Fed projects the unemployment rate to decrease from around 7.5% to 6.5%, as well as economic growth in general to grow around 3% over the next two years. This, along with strong brand recognition provides an ideal economic enviornment for LZB. LZB continues to show signs it can sustain success since struggling in 2009, growing sales consistently since 2010, with a~1% increase in 2011, followed by a 3.6 % increase in 2012, as they begin to show a strong rebound from the recession. In addition, LZB's struggling retail segment has become profitable for the first time since the recession. It grew 22% in 2012, and is expected to grow more with management's aggressive acquisition and efficiency strategy, which consists of acquiring poorly performing stores and assimilating them to their existing high performance stores. They have acquired 9 stores this last quarter and management expects to maintain that pace. They also are well positioned to increase operating margins as they expand revenues, though margins leaped from 2.6% in 2011 to 4.03% in 2012, this still is significantly below management expectations and pre-crisis level. LZB's fixed costs have been high, but as they pick up sales and begin to open up new stores it will lead to a positive trend in operating margin for future production. Outside of acquiring and remodeling certain stores, LZB's strong balance sheet ($152.37 M) and low debt (D/E of 1.6% compared to the industry average of 37.06%) gives them an opportunity to aggressively build new stores. They believe that they can have 400 total stores in North America which means they are looking to build 84 more stores in the future. Because of these reasons and a favorable valuation, it is recommended that LZB be added to the AIM Equity Fund with a target price of $20.50, which offers a potential upside of 19.19%.

Investment Thesis

- **Increased Efficiency.** LZB has been increasing margins as they turn stores around. Since retail has been a harmful segment the past couple of years, LZB decided to purchase underperforming stores and take them over. In doing so, they implemented the working ways of profitable stores and increased revenues. They also are expected to increase Net Income as they begin to more efficiently run stores. Operating margins are expected to increase to the mid-single digits in the next couple of years, which have not exceeded 5% since 2004. New stores chosen in the right location can lead to a great increase as same store sales increased 11.8% in Q3.

- **Expanding Stores.** LZB has continued to increase store growth over the past few quarters. They have been buying new stores as well as acquiring, remodeling, and relocating old ones in order to increase revenue at each site. They have opened, relocated, and remodeled 13 total stores so far in 2012 and are expected to improve on that further in the current fourth quarter as hitting 400 stores is a goal they are eager and actively trying to achieve

- **Strength In Housing Market.** Data suggests the U.S housing market is healthy again and LZB constitutes an attractive way to gain exposure. In regards to residential, housing has continued to post strong growth (28% year over year in February), and has room for continued improvement as home inventories have normalized and housing starts are still 40% below the long-term average. It is presumed housing will continue to expand in 2014. Also multifamily construction appears set for continued improvement, which is consistent with prior cycles.

Valuation

In order to reach an intrinsic value for LZB, a five year discounted cash flow model was conducted. Using a terminal growth rate of 2% and a WACC of 11.5% resulted in a valuation of $17.00. Sensitivity analysis on both the terminal growth rate and WACC provided for a range between $14.30 and $21.12. Additionally, a EV/EBITDA comparison and valuation of the company was analyzed. Using an industry average EV/EBITDA multiple of 10.65x and a 2013 EBITDA of $99.09M, a value of $24.00 was obtained. By weighing the DCF model 50% and the EV/EBITDA multiple 50%, a price target of $20.50 was established. LZB pays a dividend of $.04 with a yield of .24%.

Risks

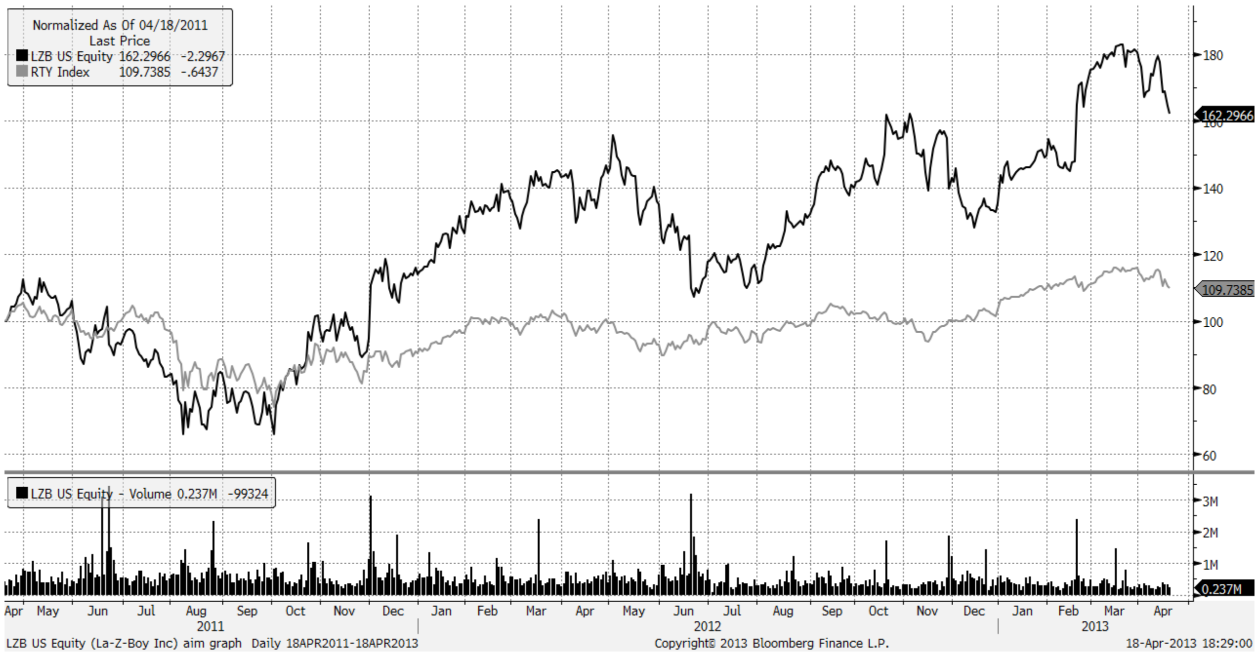
- **Prolonged Economic Downturn**. The slow pace of recovery from economic downturn or any new downturn can have a negative affect on the sales of the company. If the economy does not continue on its growth and recovery it will affect the ability for customers to buy their products as well as pay for current products. Also if consumer spending and consumer confidence decreases it will negatively affect sales and the customer's willingness to buy LZB products. This in turn can decrease future sales, results of operation, and cash flows.

- **Fluctuations in Raw Materials**. In manufacturing furniture many types of raw materials are used. Since LZB outsources its raw materials, any influx in pricing, quantity, or availability could change their cost of sales as well as their ability to meet customer needs. Since the industry can be competitive in terms of pricing, they would not be able to pass the price increase on to customers, which can decrease overall profitability.

- **Decelerated store expansion.** One of the main drivers of revenue growth outside of the improved macroeconomic environment is management's initiative to increase the number of stores. If management slows the pace at which they are growing new stores, then there will not only be lower revenue, but weakening margins.

Management

Kurt Darrow has been a director as well as the President and Chief Executive officer since 2003. He has been working with the company since 1979 taking on more responsibility since starting in sales and marketing. Louis M. Riccio has been Vice President and Chief Financial Officer since July of 2006. Prior to that he was a vice president, Chief accounting officer, and corporate controller for LZB from 2002-2006. He formerly worked for Deloitte & Touche in public accounting as well as LADD as the director of Accounting.



Ownership	
% of Shares Held by All Insider and 5% Owners:	7
% of Shares Held by Institutional & Mutual Fund	87

Source: Yahoo! Finance

Top 5 Shareholders

Holde	Share	%
Franklin Resources	5,375,172	10.27%
State Street	5,215,986	9.96%
BlackRock	4,273,731	8.16%
Vanguard Group Inc	3,052,709	5.83%
Dimensional Fund Advisors LP	2,592,189	4.95%

Source: Bloomberg

Banco Santander (Brazil) SA (BSBR)
April 26, 2013

Su Li International Financials

Banco Santander (Brazil) SA (NYSE: BSBR) offers a range of individual and corporate banking services, such as saving accounts, credit operations, financing, leasing, mortgage and automobile lending, investment services, pension plans, life and property insurance policies, and asset management, among others. As of December 31, 2012, its branch network consisted of 2,407 branches, 1,381 on-site service units located at its corporate customer premises, and 17,798 ATMs. The Santander Group is a Spanish banking group and is the largest bank in the Eurozone. Banco Santander (Brazil) SA is one of its major branches headquarter in Sao Paulo, Brazil. Other branches located throughout the world including Europe, Latin America, North America, Africa, Asia and Australia.

Price ($): (4/21/13)	7.21	Beta	1.39	FY: Dec 31	2012A	2013E	2014E
Price Target ($):	9.06	Cost of Equity	11.54%	Revenue (mil)	5448.66	2991.67	4335.83
52 WK H-L ($):	8.6-6.6	M-Term Rev. Gr Rate Est:	9.60%	% Growth	-29.68%	-31.05%	44.93%
Market Cap (mil):	27,401	M-Term EPS Gr Rate Est:	7.82%	NIM (%)	10.49%	9.61%	9.90%
Float (mil):	11.1	Financial Leverage:	5.15x	EPS	0.01	0.55	0.68
Short Interest (%):	2.90%	ROA	1.33%	BVPS	$10.48	$10.65	$8.34
Avg. Daily Vol (mil):	7.47	ROE	6.80%	P/B	0.79	0.86	0.92
Dividend ($):	0.08	Tier 1 Capital Ratio	19.32%	P/E	10.96	10.87	10.84
Dividend Yield (%):	4.68%	Credit Rating	BBB	Div. Per Share	0.36	0.17	0.26

Recommendation

After the Brazilian government implemented the economic policy to stabilize the interest rate and domestic mergers and acquisition among financial institutions, the banking industry is looking for the growth opportunity. Moreover, the lowest historical unemployment rate around 5.5% in 2012 encourages the consumers' confidence. Banco Santander Brazil SA has been able to increase total credit card sale by 14.1% in 2013 compared to the same period of the year of 2012, reaching R$16.1 billion. Also, the increasing of 8.1% in customer deposit was driven by the increase of 15.3% in savings accounts and 18.4% in repurchase agreement. BSBR obtains a relatively strong and solid Tier 1 Capital Ratio and significant net interest margin compared to its competitors. For the following reasons and a reasonable valuation, it is recommended that BSBR be added to the AIM International Equity Fund with a target price of $9.06, which offers a potential upside of 26%. BSBR also offers 4.68% dividend and it will continue increase in the following years.

Investment Thesis

- **Emerging Markets Environment.** The stability of the economic environment in Brazil permitted the reduction in interest rates and improvement of the government debt profile, which directly had an impact on the overall real income of population and triggered the increase on banking products and services. The Brazilian annual GDP per capita has increased to R$21,254 in 2012. Also, the decrease in the unemployment rate to 5.5% in 2012 is in favor of the improvement of Brazilian banking industry.

- **Economic Moats.** Being a part of the Santander Group, BSBR obtains the full access to multinational clients' base. In order to expend clients' base, BSBR is able to leverage the global information system platform by reducing technology development costs. Also, based on the multinational clients' base, the bank accelerates the generation of synergies from any future acquisitions to expend market shares.

- **Upcoming Events.** The World Cup 2013 and Olympic 2014 in Brazil will bring the opportunities for infrastructure and construction to be built for these upcoming events. The needs to build the facilities from borrowing money at bank increase the revenue.

Valuation

In order to find the intrinsic value of BSBR, an excess equity return model was conducted with a P/B multiple and a two-stage dividend discount model. A conservative cost of equity of 11.54% was used in dividend discount model. Under the method of excess equity return, net income and equity cost were used to project the FY 2013-FY 2018, and discounted back to the present by generating an intrinsic value of $12.70. For the P/B multiple, an intrinsic value of $8.42 was conducted by using a historical and peers average of 0.77x. Finally, a two-stage dividend discount model is used to calculate the intrinsic value of $7.88 by assuming the growth stage for 5 years and the stable stage for 3 years period. Weighting the different models 20%, 40%, and 40%, respectively, a target price of $9.06 was established, providing a 26% upside.

Risks

- **Inflation.** With the majority of income, expenses, and liability are directly tied to interest rates; the Brazilian banks suffer the decrease in interest income of R$272 million in response to the increase of 1% interest rates. After the favorable macroeconomic environment and inflation stability to reduce interest rates from 19.5% to 8.75% in 2012, the Brazilian Central Bank implemented a monetary easing policy to mitigate the spillover effects of the ongoing international financial crisis.
- **Regulation.** The Brazilian Central Bank has periodically changed the level of reserves and employed Basel III rules regarding capital requirement for each individual banks on March 2013. The uncertainty of Basel III application brings the risks of the bank's performance.
- **Competition.** The Brazilian financial markets, including the banking, insurance, and asset management sector, are highly competitive. 17.7% of Banco Santander S.A. total assets come from financial instrument such as securities and it has been constantly decreasing by the competition against its rivals. Moreover, new mergers and acquisitions of banks and insurance companies would likely to increase its competitor's market share and customer base.

Management

Mr. Celso Clemente Glacometti serves as Chairman of the Board of Banco Santander Brazil SA. In February 03, 2010, he was elected Independent Member of the Board of the Director of the company. Mr. Celso starts his career as Auditor at Citibank. Mr. Marcial Angel Alvarez serves as the Chief Executive Office of the company.

Ownership	
% of Shares Held by All Insider and 5% Owners:	N/A
% of Shares Held by Institutional & Mutual Fund Owners:	N/A

Source: Bloomberg

Top 5 Shareholders

Holder	Shares	%Out
Goldman Sachs Group, Inc.	167,656,518	4.41
Genesis Asset Managers, LLP	60,791,397	1.6
Dimensional Fund Advisors LP	36,173,533	0.95
Price (T. Rowe) Associates Inc	32,403,012	0.85
Wellington Management Company, LLP	28,927,621	0.76

Source: Yahoo! Finance

Select Comfort Corporation(SCSS)

April 26, 2013

Dayton Hoell Domestic Consumer Discretionary

Select Comfort Corporation (NASDAQ:SCSS) is a mattress manufacturer and retailer that was founded in 1987 and is based in Minneapolis, MN. Select Comfort designs, manufactures, markets and supports a line of adjustable-firmness mattresses featuring air-chamber technology, branded the SLEEP NUMBER® bed. SCSS also sells bases and bedding accessories including pillows, sheets, mattress pads and comforters. SLEEP NUMBER® products are sold through SCSS's 400 company-owned stores located across the United States; select bedding retailers; direct marketing operations; and online at sleepnumber.com. The company focuses on the individualized comfort of their customers and stresses the impact their beds can have on a person's life.

Price ($) (2/19/2013):	$ 18.75	Beta:	1.4	FY January	2012A	2013E	2014E
Price Target ($):	$ 27.41	WACC:	13.62%	Revenue ($Mil)	$ 934.98	$ 1,075.22	$ 1,344.03
52WK H-L ($):	$35.60 - $16.62	Debt/Equity:	0.0%	% Growth	25.80%	15.00%	25.00%
Market Cap (mil):	1,009.9M	2012 ROE:	48.3%	Gross Margin (%):	63.80%	64.00%	64.00%
Float (mil):	53.8	2012 ROA:	25.8%	Operating Margin (%):	12.83%	12.90%	13.00%
Short Interest (%):	9.8%	Mid-Term Rev Gr Rate Est	21%	EPS	$ 1.45	$ 1.64	$ 2.05
Avg. Vol (3 month):	1,554,000	Mid-Term EPS Gr. Rate	21%	EPS % Growth	29%	13%	25%
Yield (%)	0.0%	P/EBITDA	6.98	P/E (Cal)	17.89	13.07	10.55

Recommendation

From FY 2010 to FY 2012, Select Comfort's revenues have grown 54%, and plenty of growth remains as the firm continues to open new stores and fully develop its markets. There is substantial growth potential with 85% of Americans currently using an older style spring mattress. SCSS has also expanded its stores, invested in product innovation, and recently acquired a large competitor, Comfortaire Corporation, for $15.5 million without taking out any debt. Select Comfort maintains a cash balance of $87.92 million to fund its growth plan of 500 total stores by 2015 up from 410 in 2010. In addition to Select Comfort's expanding markets, the company is excited about it's upcoming series of innovative new products. Select Comfort sets itself apart from all competition in a number of ways, but particularly with its vertical integration business model. This method makes SCSS the designer, manufacturer, distributor, retailer and service provider of their products. This allows them to control their image, build lifelong relationships and achieve higher margins than competitors with an above average inventory turnover ratio of 12x. As a result, the Sleep Number store is the sixth most productive retailer based on sales per square foot with their consumer focused, interactive shopping environment. Additionally, SCSS's market price is at an undervalued level. SCSS's current P/E ratio is 13.4x compared to an industry average of 17.2x. Because SCSS has the ability to maintain a strong financial position while the company plans to continue expansion and product innovation, and is attractively valued, it is recommended that Select Comfort be added to the AIM Equity Fund with a price target of $27.41, representing a 46.19% upside.

Investment Thesis

- **Expansion and Innovation.** Since 2010, SCSS has invested $82M in capital expenditures and expects to spend $75 million in 2013, the most in company history, to help fund its retail store expansion. Approximately half of 2013's CapEx will be dedicated to 25 to 35 new stores, in addition to relocations and remodelings. They have began operating in non-mall locations to help build store and brand awareness and as of April 2013, 21% of their stores are now in such locations. Additionally, SCSS's CEO states they are now just starting to tap into product innovation. As part of their 2015 goal, SCSS is putting a heavy emphasis on innovation with over $6 million of R&D expenditures in 2012. SCSS's Q1 earnings call unveiled the first of a series of breakthrough product offerings named DualTemp; a mattress topper that provides a dual temperature controlled layer that can fit on any size mattress.

- **Housing Recovery.** The improvement in the housing market is driven by many factors, including near record-low mortgage rates, a drop in home foreclosures, and an improvement in the overall economy. The rise in home prices is providing a lift for the economy as it increases household wealth. This effect will play a significant role in consumer spending in 2013 and the sales of new homes have been at the highest levels since July 2008. 2012 posted 20 percent more new home sales than 2011 and SCSS should see the benefits from this as spending increases and more people buy or build a home.
- **Favorable Demographic**s. SCSS has large growth guidance with the aging baby boomer's mattress buying potential. Today, this group will be looking for ways to feel younger and more energetic and Select Comfort will be able to offer them the luxurious sleep experience that will lead to a healthier life. SCSS can offer their specialty mattresses at a more affordable price than Tempur-Pedic and other competitors and be able build a life long relationship with it's vertical integration. Additionally, specialty mattresses are growing at three times the rate as innerspring mattresses and a full 10% of national home improvement spending is currently going towards helping seniors make their homes more accessible as they age. That includes purchasing air mattresses that will not need to be flipped like the typical spring mattress.

Valuation

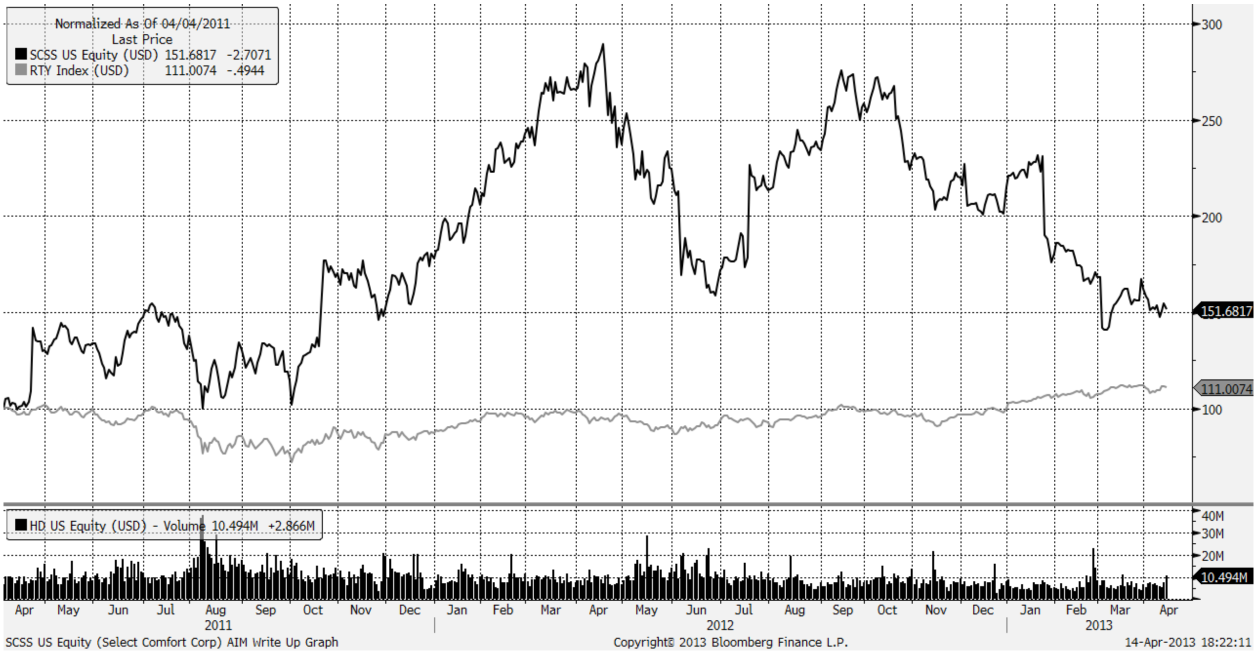
In order to reach an intrinsic value for SCSS, a five year discounted cash flow model was conducted. Using a terminal growth rate of 2% and a WACC of 13.62% resulted in a valuation of $22.42. Sensitivity analysis on both the terminal growth rate and WACC provided for a range between $46.35 and $22.42 with an average of $31.50. Additionally, a P/E comparable approach was used and resulted in a multiple of 18.5x resulting in an estimated price for SCSS of $30.36. By weighing the DCF model 40%, the P/E multiple 40%, and the sensitivity analysis 20%, a price target of $27.10 was obtained a 40%+ upside.

Risks

- **Competition Within the Industry.** The bedding industry is very competitive. Participants in the bedding industry compete primarily on price, quality, brand name recognition, product availability and product performance, including the perceived levels of comfort and support provided by a mattress. While SCSS has historically dominated the air mattress industry, Tempur-Pedic is launching beds with adjustable features in 2013. If Tempur-Pedic is successful, new competition could also emerge. Nonetheless, SCSS is favored over Tempur-Pedic in experience with air adjustability, price, as well as product distribution.
- **Investment Risk**. SCSS is making investments in advertising, R&D, and stores in order to drive growth. Diminishing returns on these investments, or deleverage from slower sales, could pressure earnings. The retail stores carry significant fixed costs and the company is dependent on their ability to maintain and increase sales per store to improve their operating margins.
- **Inventory Levels.** SCSS sells to their customers using a "just-in-time" manufacturing process with minimal levels of inventory and retail stores which serve mainly as showrooms. This allows the firm to maintain low inventory levels and operate with minimal working capital requirements. However, this could leave the company vulnerable to shortages in supply that may harm their ability to satisfy consumer demand.

Management

Shelly Ibach has been the director, president and chief executive officer of SCSS since 2012. Prior, Ms. Ibach was the executive vice president, sales & merchandising. Jean-Michel Valette has been the chairman of Select Comfort since 2010. He has been an independent adviser to branded consumer companies since May 2000. Mark Kimball has been the chief administrative officer, general counsel, senior vice president and secretary since 2003. Prior to joining the company, Mr. Kimball was a partner in the law firm of Oppenheimer Wolff & Donnelly LLP practicing corporate finance.



Ownership

% of Shares Held by All Insiders and 5% Owners:	3%
% of Shares Held by Institutional & Mutual Fund Owners	97%

Source: Yahoo! Finance

Top 5 Shareholders

Holder	Shares	% Out
State Street	6,302,444	11.30%
Blackrock	4,164,935	7.46%
Disciplined Growth Investors LLC	3,672,828	6.58%
Vanguard Group Inc.	3,226,561	5.78%
FMR LLC	2,870,784	5.15%

Source: Bloomberg

Golar LNG Partner LP (GMLP)
April 26, 2013

Zac Zhuang International Energy

Golar LNG Partners LP (NASDAQ:GMLP) was formed in 2007 as a wholly owned subsidiary of Golar LNG Limited, a leading independent owner and operator of Floating Storage Regasficiation Units (FSRU) and LNG(liquefied natural gas) carriers. GMLP owns and operates FSRUs and LNG carriers under long-term charters. Since the firm's IPO in April 2011, it has completed four drop-down acquisitions and currently operates eight vessels, including four FSRUs (Sprit, Freeze, Winter and Nusantara Regas Satu) and four LNG carriers (Maria, Grand, Methane Princess, and Mazo). The company is incorporated under the laws of the Marshall Islands and maintains its principal executive headquarters in Hamilton, Bermuda.

Price ($): (4/19/13)	$30.82	Beta:	0.89	FY: Dec. 31	2011A	2012E	2013E
Price Target ($):	42.75	WACC	10.14%	Revenue (Mil)	$204	$259	$293
52 WK H-L ($):	$36.82-$25.52	M-Term Rev. Gr Rate Est:	15.70%	% Growth	11.61%	27.14%	14.34%
Market Cap (mil):	1,250.2	M-Term EPS Gr Rate Est:	11.04%	Gross Margin	83.15%	83.88%	80.13%
Float (mil):	28.3	Debt/Equity	653.8%	Operating Margin	63.61%	66.48%	68.17%
Short Interest (%):	0.57%	ROA:	7.41%	EPS (Cal)	3.32	3.19	3.72
Avg. Daily Vol (k):	162	ROE:	88.55%	FCF/Share	3.68	4.23	4.95
Dividend ($):	$1.16			P/E (Cal)	9.28	13.41	11.49
Yield (%):	3.8%			EV/EBITDA	16.1x	12.2x	10.6x

Recommendation

Natural gas is believed by many experts to be the most important global energy source in the future. As global liquefaction capacity started to ramp up in 2009, the LNG shipping market has expanded remarkably. Currently, natural gas is being produced in the U.S, Australia and Qatar and is shipped to Asia: primarily Japan, China and South Korea. Japan's LNG imports soared 11.2% to a record high of 87.31 million tons in 2012, holding more than 30% of the global market. This growth has allowed GMLP to take advantage with their FSRU franchise, which has continued to progress as the market has matured. Liquefaction capacity has more than doubled between 2000 and 2012, driven primarily by the series of massive LNG developments in Qatar and Australia. Global LNG demand will reach 400 million tons per annum by 2020 driven by the population growth, which is estimated to eclipse 8 billion by 2030. GMLP is uniquely positioned to capture opportunities in the FSRU market – by controlling ownership of the only four FSRU's currently available to the market. The advantage for customers in using FSRUs is that they cost less than half of an onshore facility and they can be ordered, built and delivered in 2-3 years versus 5-7 years for an onshore import terminal. The parent company, GLNG, will take delivery of 13 new vessels by early 2015, which could drive substantial future earnings growth of GMLP. Because of the expected massive growth of NG, it is recommended that GMLP be added to the AIM International Fund with an upside of over 38% - the firm's dividend yield is currently 3.8%.

Investment Thesis

- **Significant growth opportunities.** GMLP has completed four dropdowns (the startup of a new vessel) since they went public. Future FRSU project potential is expected as their fleet is still expanding. The thirteen new vessels being delivered to the parental company, including two FSRUs, and other third parties will enable GMLP to lead the growing and maturing market. Currently, GMLP has more than 25 new projects being developed and the only open FSRU delivering this year. Golar is the only company in the world to have converted an LNG carrier to an FSRU (Freeze).
- **Increasing shipping rate.** Strong demand resulted in LNG spot shipping rates to soar to $126,000 by the end of January 2013 from $40,000/day in 2010. As GMLP's parent company is

still in the transitional phase, the majority of GMLP's assets are operating in the spot market, with short-term contracts no longer than three month in duration. The amount of new liquefaction capacity is expected to grow annually by a double-digits rate starting in 2014 and extending into the foreseeable future. Once new capacity comes online, GMLP will be able to command stronger rates.

- **Substantial LNG demand growth.** Demand for LNG spiked after the March 2011 tsunami in Japan. Asia has accounted for 71% of global LNG demand in 2012, compare to 64% in 2011. Global LNG demand has risen by an estimated 7.6% per year over the same period. Japan, as the largest LNG importer in the world is expected to remain the backbone of the global LNG market along with South Korea and Taiwan. While emerging countries like China and India are expected to be the biggest sources of additional LNG demand, the Southeast Asia LNG market will account for a third of overall Asian LNG demand growth by 2025. While Indonesia and Thailand have been making large-scale investments into developing their LNG infrastructure, FSRUs will be used to transport LNG to ports that don't have regasification facilities.

Valuation

In order to reach an intrinsic value for GMLP, a five year discounted cash flow model was conducted. Using a terminal growth rate of 3% and a WACC of 10.14% resulted in a valuation of $48.94. Additionally, an EV/EBITDA multiple approach valuation was conducted. Using an industry average EV/EBITDA multiple of 15x and a 2013 estimated EBITDA of $5.37 per share, a value of $38.61 was obtained. By weighing the DCF model 40%, and the EV/EBITDA multiple method 60%, a price target of $42.75 was established. The target price represents a 38.69% upside. GMLP pays a dividend of $1.16 per share.

Risks

- **Delay in liquefaction facilities.** From 2006 to mid-2010, the LNG shipping industry was suffering from an imbalance between new liquefaction capacity and the number of new LNG ships coming online. Concerns on oversupply of LNG vessels still exist due to the imbalance caused by idle capacity and shortage of liquefaction facilities. Production problems in Algeria, Indonesia (the world's third largest LNG exporter) and Nigeria while a new facility was delayed in Angola reduced shipping demand.
- **The effect of governmental regulations.** Strong Asian demand has created a price arbitrage, where gas sells for nearly $20/mbtu in Japan versus about $4 in the U.S. North America and East Africa are the new LNG exporters coming online, but the regulatory environment may not favor the supply side. Current US law requires an export license from the US Department of Energy in order to export LNG. Only the nations have the free trade agreement with the US is considered in the public interest and typically approved without modification or delay.
- **Volatile attribute of the shipping industry.** The shipping industry is one of the most volatile and unpredictable sectors with the oil service space. The main investment risk is the overall health of the global economy, although with particular interim risk exposure to the fiscal and geopolitical uncertainties. The outlook depends heavily on Japan's energy policy.

Management

Graham Robjohns has acted as GMLP's principal executive officer since July 2011. From April 2011 to July 2011, Mr. Robjohns served as chief executive officer and chief financial officer. Before joining GMLP, Mr. Robjohns has worked for several companies across different industries, including shipping, manufacturing and accounting. Oistein Dahl is the COO and the managing director of Golar Wihelmsen Management. He comes from Hoegh Fleet, where he was president for four years. Brian Tienzo, the principal financial and accounting officer since July 2011. Mr. Tienzo joined Golar Management in 2001 and served as the CFO of Golar Management since 2011.

Ownership

% of Shares Held by All Insider & 5% Owners:	N/A
% of Shares Held by Institutional & Mutual Fund Owners:	52.44%

Top 5 Shareholders

Holder	Shares	%Out
Golar LNG Ltd.	12,238,096	30.17%
Kayne Anderson Capital Advisor	3,605,916	8.89%
Goldman Sachs Group Inc	2,377,038	5.86%
Bamco Inc	1,545,480	3.81%
RR Advisors LLC	1,241,252	3.06%

Peer Group

Name	EV/EBITDA
Teekay Tankers LTD	11.1x
Gaslog LTD	23.6x
Teekay LNG Partners LP	18.5x
Stealthgas Inc	7.9x
Ship Finance International	13.9x

Source: Bloomberg

Proassurance Corporation (PRA)
April 26, 2013

Sean Brackin — Financial Services

Proassurance Corporation (NYSE: PRA) is a risk management and claims defense company that sells property and casualty insurance through one of its four subsidiaries. The policyholders to whom they sell medical professional liability insurance are primarily doctors. Proassurance is known as a specialty writer for professional liability insurance. Despite a much smaller market cap than most of its competitors, they are the fourth largest provider of medical professional liability insurance in the country. PRA operates in 48 different states with an employee base of 700 people. The company was founded in 1975, and it is headquartered in Birmingham, Alabama.

Price($): (4/19/13)	47.89	Beta:	0.663	FY:	2012A	2013E	2014E
Price Target ($):	53.65	WACC	7.11%	Revenue (mil)	722.73	720.75	733.25
52WK H-L ($):	48.74-39.12	M-Term Rev. Gr Rate Est:	5.40%	Growth	-0.44%	-0.27%	1.73%
Market Cap (mil)	2,965.20	M-Term EPS Gr Rate Est:	3.00%	Loss Ratio	32.67%	30.00%	30.00%
Float (mil):	58.50	Debt/Equity	4.60%	Profit Margin	38.12%	32.10%	30.07%
Shares Outstanding (mil)	61.9	ROA:	5.6	EPS (Cal)	4.15	4.01	4.12
Avg. Daily Vol:	298,000	ROE:	12.4	P/E (Cal)	11.53	12.83	13.25
Dividend ($):	1	ROIC:	12.00	P/S	4.1	4.56	5.08
Yield (%):	2.10	EV/EBIT	9.43x	P/B	1.3	1.4	1.4
Short Ratio (% of float)	0.4	Combined Ratio	57.30%				

Recommendation

As the fourth largest provider of medical professional liability insurance in the United States, Proassurance has effectively provided coverage to policyholders ranging from physicians, dentists, podiatrists, allied health professionals, healthcare facilities, and lawyers. Property and casualty insurance will always be necessary for as long as there are jobs that involve risk. Their issuer credit rating (ICR) and financial strength rating (FSR) have both been up to an “a+” and “A” respectively. Only 5.27% of their investments are put into the equity market which they still generate a solid return on. This financial stability has been reflected by the large amount of excess reserves that they have been able to maintain, which have given PRA the ability to begin paying dividends in 2011 of just over 2%. With excess reserves of $253 million, they have the financial stability to maintain dividend payments and further hedge against the always impending threat of claims exceeding revenues at any given year. They were also able to make a special dividend payment at the end of 4Q12 of $2.50. Proassurance also beat 4Q estimates for EPS by just over $0.10. Book value per share increased by 4% in the fourth quarter of the 2012 fiscal year and is believed by many to have the capability to grow to $40 per share. It has been years since their last acquisition, but due to their strong balance sheet, Proassurance is in position and looking to capitalize on an opportunity for a M&A in one of these next two years.

Investment Thesis

- **Maintaining Healthy Excess Reserve Gains.** Maintaining such high excess reserves has been a huge benefit for Proassurance thus far. They have been able to see good returns on investments while still staying rather liquid allowing them to pay premiums in the event when that occurs. They ended the 2012 fiscal year with $253 million in excess reserves and over $1.2 billion over the past five years. PRA have since been upgraded the issuer credit rating (ICR) to an “a+” by both Fitch and A.M. Best Co. along with receiving a financial strength rating of an “A”. They have amongst the best reserves in the industry with a redundancy of approximately 26% of 2012 year end reserves.
- **Insurance Claims are Decreasing Relative to Net Revenues.** Insurance claims and charges is presently only about 25% of net revenues down from what was at one point just over 60% of revenues in 2006. PRA is in a highly cyclical and unpredictable industry, but with the

technological advancements in the medical fields, the margin for error has been rapidly decreasing causing there to be much less prevalence in malpractice. This allows them to continue to boost their underwriting profit which in turn allows them to increase investments and excess returns putting them in a position to grow and hedge against an unpredictable disaster. The cost market looks as if it will continue to be mild in the foreseeable future allowing PRA's reserves to continue to be a significant contributor to earnings and book value.

- **Merger and Acquisitions.** Proassurance has a history of success with mergers and acquisitions, and they have just acquired Medmarc Insurance Company and its subsidiary Medmarc Casualty Insurance Company. Medmarc is a national leader as an underwriter in products liability insurance. This acquisition allows Proassurance to become more competitive in the highly dynamic healthcare field as well as take advantage of Medmarc's strength in the legal professional liability insurance. Medmarc, a strong nationally recognized company, now has the balance sheet strength of PRA to back them up.

Valuation

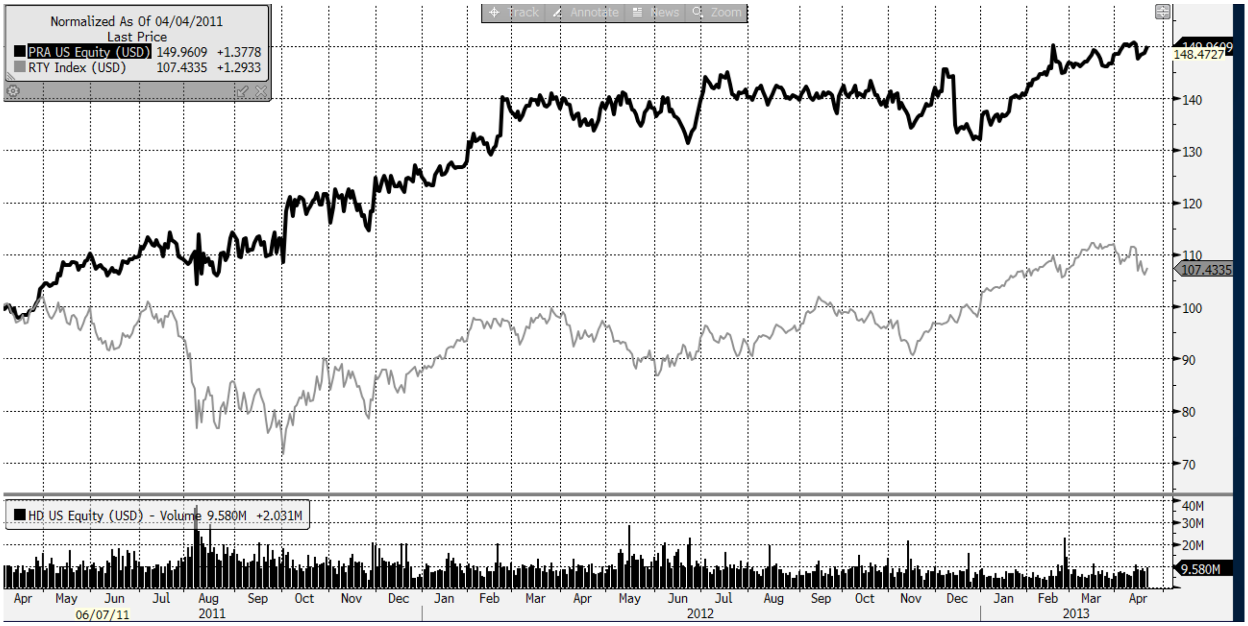
In order to reach an intrinsic value for PRA, a five year discounted cash flows model was conducted. A current WACC of 7.11% was developed and a discount rate of 8% was used with a perpetuity growth rate of 3%. This generated an intrinsic value of $50.13. A P/E multiples model was conducted using five comparable companies utilizing an industry average P/E multiple of 14.50x which was multiplied by PRA's EPS of $4.15 to yield an intrinsic value of $60.17. Using the same five comparables, an average P/B ratio was determined yielding a P/B multiple of 1.42x which was multiplied by the book value per share price of $36.85; yielding an intrinsic value of $52.14. By weighting the three values 25/25/50 respectively, a price target of $53.65 was established resulting in an upside of 12.03%. PRA also pays a quarterly dividend of $0.25; a yield of about 2.10%.

Risks

- **Growth Becoming Too Flat.** Their ability to continue to grow has been impressive, but being in such a highly cyclical industry brings about the doubts of whether or not they can continue to do this even in the face of another recession and other market inefficiencies. This is still a relatively competitive market with the threat of new entrants. In the event that they begin to lose market share, they have hedged against risk well by building up a nice stockpile of excess reserves, but this won't be enough to fuel excessive growth.
- **Could Eventually Face the Consequences of Being in a Highly Cyclical Industry.** For being in such a highly cyclical industry, PRA has been able to avoid a great deal of fluctuation in their stock prices. This could change going forward if technology continues to progress the way it has. Accuracy in medical procedures would increase which would cause medical professionals to seek out cheaper insurance which potential new entrants to the market, as well as established entities, may be able to offer causing a decrease in market share and price they could charge.
- **Uncertainty in the Industry.** While most of the numbers in the balance sheet, income statement, and statement of cash flows looks pretty sound, the insurance industry is very hard to predict. A shaky economy could be an issue going forward.

Management

William Stancil Starnes is the Chairman, President, and CEO of Proassurance Corporation and has been doing so since July of 2007. In his time as CEO, Starnes has seen the stock price rise nearly $20 per share in his 5+ years. Starnes also serves as a board member of Infinity Property & Casualty Corporation and Chairman of Efficiency Lodge Inc. Victor T. Adamo has been the Vice Chairman since May of 2012, but will be retiring May 22, 2013. Proassurance's Senior VP: Finance and CFO, Edward Lewis Rand Jr., has been with the company since November of 2004.



Ownership

% of Shares Held by All Insider and 5% Owners:	5%
% of Shares Held by Institutional & Mutual Fund Owners:	77%
% of Float Held by Institutional & Mutual Fund Owners:	81%
Number of Institutions Holding Shares:	266

Source: Yahoo! Finance

Top 5 Shareholders

Holder	Shares	% Outstanding
Price (T. Rowe) Associates Inc	4,400,548	7.11
Vanguard Group, Inc (The)	3,311,593	5.35
FMR LLC	2,612,497	4.22
JP Morgan Chase and Company	2,564,509	4.14
BlackRock Fund Advisors	1,827,129	2.95